

## Recommendation

**That Council approve Item 11.1 as Urgent Business to be introduced by a decision of the meeting.**

### 11.1 Self-Supporting Loan | Boddington Hospital Auxiliary Inc.

File Reference: 2.041  
Applicant: Boddington Hospital Auxiliary  
Disclosure of Interest: Nil  
Author: Executive Manager Corporate Services  
Attachments: Nil

#### Summary

Council is requested to consider an application from the Boddington Hospital Auxiliary (Auxiliary) for a self-supporting loan to purchase property.

#### Background

The Boddington Hospital Auxiliary are a not-for-profit community group, who are registered with the Australian Charities and Not-For-Profits Commission (ACNC). The Auxiliary has operated since 1957 and remain a very active group within the Boddington Community. The group operate the Op Shop, which raises funds to purchase much needed items for the Boddington Hospital.

At the beginning of October 2023, the President from the Boddington Hospital Auxiliary reached out to the Shire with regards to finding new premises to operate the Op Shop. The new owners of the building, where they currently reside, requested that they vacate the premises as soon as possible.

After determining that the Shire does not currently have any suitable premises available for the Op Shop to operate from, the possibility of applying for a self-supporting loan to purchase their own premise was made available. The self-supporting loan is a financial arrangement where the Shire must secure the loan on behalf of the organisation. The organisation is then responsible for covering the costs related to the principal, interest, and loan guarantee payments.

On the 19 October 2023, an application was received by the Shire from the Auxiliary requesting a loan for \$300,000 to purchase property located on Bannister Road. The property of interest is considered a worthwhile investment, as it will not only allow them to run the Op Shop, but will also house the bus, and store furniture from the Joy Roberts Foundation.

#### Comment

In making a determination with regards to this self-supporting loan application, the repayment ability and security needs to be addressed.

As of the 23 October 2023, the indicative interest rate for a 20 year loan with semi-annual repayments is 5.66%. Based on a loan of \$300,000 the semi-annual repayment would be \$12,624.47. This repayment does not include the Government Guarantee Fee, which is invoiced separately by the Western Australian Treasury Corporation (WATC). Currently the rate is 0.7% and is calculated on the principal outstanding, so the annual repayment diminishes over the life of the loan.

Based on the above indicative interest rate, the weekly repayment for the loan equates to approximately \$486. The Government Guarantee Fee payable within the first year will be approximately \$2,085 with this diminishing down to \$128 in the last year.

The first years average weekly repayment calculation is:

Semi Annual Payment (12,624.47 x 2)	= \$25,248.94
Government Guarantee Fee	= <u>\$2,085.00</u>
Total Repayment First Year	= \$27,333.94
<i>Weekly Repayment First Year</i>	= \$525.65

The Auxiliary have been provided the loan amortization schedule, which includes the Government Guarantee Fee. The committee are confident that they will be able to meet the repayments, as they intend to rent out the house that is located within the property. This is currently being rented at \$300 per week. It should also be noted that the Auxiliary are currently paying \$479 per month rent at their current location.

During the life of the loan the Auxiliary will need to be prepared to enter into a deed of agreement, giving permission to the Shire to lodge a caveat over the certificate of title.

The Auxiliary have advised the Shire that this will be the Auxiliary's fifth move since establishing the Op Shop, which comes at a considerable cost to the group. A self-supporting loan provided by the Shire will enable the Auxiliary to purchase their own premises, giving them much needed security and stability.

### Consultation

Boddington Hospital Auxiliary  
Western Australia Treasury Corporation

One month's local public notice will also need to be undertaken as required by Section 6.20 of the Local Government Act 1995

### Strategic Implications

Aspiration	People
Outcome 3	An inclusive and supportive community
Objective 3.5	Grow community capacity by supporting community groups and volunteers

### Legislative Implications

Local Government Act 1995  
6.20 Power to Borrow

- (1) Subject to this Act, a local government may —
- (a) borrow or re-borrow money; or
  - (b) obtain credit; or
  - (c) arrange for financial accommodation to be extended to the local government in ways additional to or other than borrowing money or obtaining credit, to enable the local government to perform the functions and exercise the powers conferred on it under this Act or any other written law.

- (2) Where, in any financial year, a local government proposes to exercise a power under subsection (1) (power to borrow) and details of that proposal have not been included in the annual budget for that financial year —
- (a) unless the proposal is of a prescribed kind, the local government must give one month's local public notice of the proposal; and
  - (b) the resolution to exercise that power is to be by absolute majority.

#### Local Government Act 1995

##### 1.7 Local public notice

Where under this Act local public notice of a matter is required to be given, notice of the matter must be —

- (a) published on the official website of the local government concerned in accordance with the regulations; and
- (b) given in at least 3 of the ways prescribed for the purposes of this section.

#### Policy Implications

Nil

#### Financial Implications

At, 24 October 2023 the Shire has outstanding loans and debentures due to WATC totalling \$1,712,297, comprising of:

<b>Loan Number</b>	<b>Loan Purpose</b>	<b>Outstanding Principal</b>
105	Administration Centre	\$148,485
100	Childcare Centre	\$54,774
94	3 Pecan Place	\$147,872
97	34 Hill Street	\$149,962
106	Recreation Centre	\$495,064
107	Recreation Centre	\$716,140

If the \$300,000 self-supporting loan request is endorsed, the Shire's total loan balance will increase to \$2,012,297.

The Auxiliary will be wholly responsible for the repayment of the principal, interest and all other associated fees and charges. Should the Auxiliary fold or be unable to meet the requirements of the loan, the Shire would be responsible for repayments.

#### Economic Implications

The current Debt Service Ratio is in the advance range and is not likely to impact the future borrowing capacity very much.

#### Social Implications

The Boddington Hospital Auxiliary plays an important role in assisting the local hospital purchase items needed for their day to day operation. On the basis that a premise is purchased, providing stability, should result in positive social and health benefits to service the growing population of Boddington.

#### Environmental Considerations

The Op Shop being a seller of second-hand goods has a two-fold effect on the environment by reducing the need to extract more materials to produce goods and reduces the materials going to landfill.

#### Risk Considerations

Risk Statement and Consequence	The primary risk is that the Boddington Hospital Auxiliary will not be able to raise sufficient revenue to cover loan repayments and charges.
Risk Rating (prior to treatment or control)	Moderate
Principal Risk Theme	Financial
Risk Action Plan (controls or treatment proposed)	The recommendation includes establishing a deed of agreement with registration of a Caveat on the property

#### Options

The Council can:

1. Approve the request as per the officer recommendation
2. Decline the request
3. Agree to a different loan amount
4. Set different terms of the loan

#### Voting Requirements

Absolute Majority

#### Officer Recommendation

That Council:

1. **Support the application from the Boddington Hospital Auxiliary Inc. for a self-supporting loan up to the value of \$300,000, subject to presentation of forward financial plans covering the life of the loan to demonstrate the capacity to meet loan repayments.**
2. **Authorise the Chief Executive Officer in accordance with the requirements of Section 6.20(2) of the Local Government Act 1995, to give one (1) months local public notice of the Shire's intention to borrow \$300,000 at the estimated rate of 5.66% for the term of twenty (20) years for the purchase of property for the Boddington Hospital Auxiliary.**
3. **Authorise the Chief Executive Officer to make the necessary legal arrangements, including establishing a deed of agreement, with registration of a Caveat against the title of the purchased property.**
4. **Make application to the Western Australian Treasury Corporation for a loan up to the value of \$300,000 to be repaid by the Boddington Hospital Auxiliary Inc. inclusive of all interest, fees and charges.**